

A medical appliance is an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body and that purports on the label to have medicinal qualities. See 86 Ill. Adm. Code 130.310. (This is a GIL).

June 2, 2000

Dear Xxxxx:

This letter is in response to your letter received March 23, 2000. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), which can be found on the Department's website at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

We are a Healthcare Provider, that operates XXXXXX in a number of states, one of which is Illinois. We need your help in determining the taxability of a list of items we routinely use. We are enclosing the list, which includes not only the item description, but also the vendor name and the vendor's catalog or item number. We thought this might be helpful if you had audit notes on some of our vendors.

We provide dialysis treatments to patients suffering from chronic kidney failure (also known as end-stage renal disease or ERSD), primarily in our outpatient dialysis treatment centers. All treatments are prescribed under the care of a licensed physician.

Treatment options include the following:

1. Hemodialysis, which uses the artificial kidney (dialyser) to remove toxins and fluids from the blood and a machine to control external blood flow and monitor the process. This is usually performed three times per week for three to five hours.
2. Continuous ambulatory peritoneal dialysis (CAPD) which utilizes a dialysis solution and the patient's peritoneal cavity to eliminate fluid and toxins from the patient and does not require a mechanical device.
3. Continuous cycling peritoneal dialysis (CCPD) which is performed in a manner similar to CAPD, but utilizes a mechanical device to cycle dialysis solution while the patient is sleeping.

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In addition, the dialysis centers provide ancillary services to ERSD patients; the most prominent of which is the administration of Erythropoietin (EPO). EPO is a bio-engineered protein that stimulates the production of red blood cells. EPO is used to treat anemia; a complication experienced by most ERSD patients. Other ancillary services provided may include, but are not limited to, the administration of certain medications such as Calcijex and Infed, bone densitometry studies, nerve conduction studies and blood transfusions.

In the event you are unable to answer all of our questions we would appreciate any advise you have to offer in determining the taxability of the items we use. We have tried to do some research on the Web, but medical products, services, medicines and related items seem to not be very defined.

If you could just add a column to the spreadsheet, designating T for Taxable, X for exempt and ? for unknown or not determinable. You could either sent the entire schedule back or if left in the same order just the new column and long as page numbers are noted.

If you have any question or require additional information, please call ####.

We are unable to give you the ruling you request. In order to rule on each item listed on the 82-page list you provided, we would need specific detailed information on each item including how each item is used. The following general information should provide guidelines on how medical appliances and medicines are taxed in Illinois.

Please find enclosed a copy of 86 Ill. Adm. Code 130.310 governing Food, Drugs, Medicines and Medical Appliances. As the regulation states in subsection (a), food, drugs, medicines and medical appliances are subject to a low State tax rate of 1% plus applicable local taxes. Items that do not qualify as food, drugs, medicines and medical appliances are subject to the basic State rate of tax, which is 6.25% plus any applicable local taxes.

A medicine or drug is defined as any pill, powder, potion, salve, or other preparation intended by the manufacturer for human use and that purports on the label to have medicinal qualities. See Section 130.310(c)(1). A medical appliance is an item that is intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. See Section 130.310(c)(2).

Included as medical appliances are such items as artificial limbs, dental prostheses and orthodontic braces, crutches and orthopedic braces, wheelchairs, heart pacemakers, and dialysis machines (including the dialyzer). Corrective medical appliances such as hearing aids, eyeglasses and contact lenses also qualify for the low rate of tax.

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I hope this information is helpful. The Department of Revenue maintains a website, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk

Enc.